

197—11.3(534) Index.

11.3(1) Adjustments to the interest rate of an adjustable mortgage loan shall correspond directly to the movement of an index authorized by subrule 11.3(3), subject to the rate-adjustment limitations, if any, that the loan contract may provide. The initial index value shall be the most recently available value of the index at, or within three months prior to, the date of the closing of the loan. The amount of rate adjustment shall reflect the difference between the initial index value and either the index value most recently available as of the date of the rate adjustment, if the payment is not simultaneously adjusted, or the index value most recently available as of the date of notification of the payment adjustment.

11.3(2) Where the movement of the index permits an adjustment rate increase, the association may decline to increase the interest rate by the indicated amount. The association may decrease the interest rate at any time during the loan term.

11.3(3) For the purpose of adjusting the interest rate, an association must use an interest rate index that is readily verifiable by the borrower and is beyond the control of the association. An association may use:

a. The national average mortgage contract rate for major lenders on the purchase of previously occupied homes, as computed by the Federal Home Loan Bank Board, published in the board's journal and made available in news releases;

b. The average cost of funds to FSLIC-insured savings and loan associations, either for all Federal Home Loan Bank Board districts or a particular district or districts, as computed semiannually by the Federal Home Loan Bank Board, published in the board's journal, and made available in news releases;

c. The monthly average of weekly auction rates on United States Treasury bills with a maturity of three months or six months, as published in the Federal Reserve Bulletin and made available by the Federal Reserve Board;

d. The monthly average yield on United States Treasury securities adjusted to a constant maturity of one, two, three or five years, as published in the Federal Reserve Bulletin and made available by the Federal Reserve Board;

e. Any other interest rate index that meets the requirements of this subrule and has been approved in writing by the superintendent of savings and loan associations.